

A second week of improving sentiment

The slight uptick in sentiment evidence last week has developed into a good rally for many stocks, with BHP and RIO leading the charge. That means institutional buying. A number of stocks either breached downtrends or were preparing to do so. If we have another week like this, it will strengthen the conviction that the 6-9 month bear market in resource stocks has turned the corner.

Real Energy - a well-placed gas company

During the week I received a presentation from Real Energy (RLE), a prospective gas producer in Australia's Cooper Basin. It looks interesting.

RLE was floated in December 2013, by personnel who came out of Mosaic Oil, with a \$10m raising. Since then it has raised a further \$20m, and its market capitalisation is hovering around \$25m with a share price of 8.2¢. The current cash position is about \$5m but I'm told there is no imminent issue planned.

It is a fairly simple story. Real has spent about \$25m and drilled four wells in ATP 927P, into tight gas bearing seams up to 200m thick. These are not structurally dependent but are more extensive basal deposits that need to be fracked before they can produce. Halliburton has the fracking contract, so they are using the best operators here. With the gas deposit at depths of approximately 2,400m, the wells cost about \$3m and the fracking adds another \$2m per well.

The Tamarama # 1 well has flowed gas at 2 Mmmcf/d. The # 2 and # 3 wells are being fracked now and will be tested shortly. There has been a change of drilling with the last two wells; 30° angle, to get greater alignment with the geology, thereby maximising propagation of the frack for better gas flows.

When all three wells are brought on steam the company expects to be able to produce 6-7 Mmmcf/d. The wells could produce for 10-15 years, but they suffer a 50% decline curve in year one. Thereafter the curve flattens out. Additional wells will likely add to production rates and help compensate for the decline.

With Australia's energy crisis any new gas production is going to be welcome in the near term. Being conventional (tight) gas rather than coal seam gas, the path to commercialisation is likely to be faster. Proximity of pipelines and processing facilities in the Cooper Basin is another advantage.

We can look forward to news flow on the fracking results and flow rates in the near term, and that will probably lead to a firming up of the MoU with Santos and Beach, for processing. This should lead to an upgrading of the resource categories and thus a re-rating of the share price in the market. RLE looks good value to me, but remember that I'm not an oil specialist. We do think it is worth adding to the chart coverage going forward.

Nelson Resources - a recent gold exploration IPO

Nelson Resources (NES), previously called Mongolian Resource Corporation, was a recent listing having raised \$5m late in 2017. A large shareholder is MetalsX, with 11.2%. Peter Cook is a non-executive director. The focus is on four gold exploration projects in WA, broadly in the vicinity of Kalgoorlie, Leonora and Laverton.

The company has been well-supported by the WA players, with the presence of Peter Cook on the board being a strong draw point, but so far it hasn't resulted in a strong share price. This probably needs good exploration results first.

Last Monday, the Company released interesting results from the Socrates drilling program, located 100km SE of the St Ives Gold Mine. It stated that the strike length of the system had increased from 120m to 370m, and drilling had intersected thick disseminated gold mineralisation within dolerite. The headline intercept was 192m at 0.5 gpt from a down hole depth of 58m. Within this were a number of narrower, higher grade intervals. Adding in the previous drilling, the project now presents itself as a series of multiple stacked lodes striking 60-70 degrees NE. Previously Sipa Resources and Newmont Exploration were working on a different interpretation, meaning they drilled in a sub-optimal direction. Armed with this information, the Company is optimistic about what it can achieve with its next drill program.

Based simply on the released information, it is too early to say that this is an economic project. In some ways it reminds me of MacPherson's Boorara project, 12 km east of Kalgoorlie, which also has gold mineralisation in dolerite. Both are big, low grade systems with some higher grade veins. Both have had issues with the orientation of drilling.

I would stop short of calling this a "fantastic result", as it was called by the CEO in the ASX release. Nevertheless, it provided good insight. There is a lot of work to do still, with the biggest risk being that there is too much WA dirt in between the higher grade zones. Still, it is worth keeping an eye on. We have added it to our chart coverage.

With 45 million shares on issue, the 16¢ share price gives a modest market capitalisation of \$7.2m. The cash balance will in the order of \$2.7m at the end of September, based on the latest Appendix 3B.

Comet Resources - GNP is not graphene

Comet announced bench scale tests to see if it can recover graphene from its Springdale graphite project in WA, using the electrochemical exfoliation process first used by Talga, in the graphite space. In fact, Comet is using Curtin University, as did Talga.

At first glance you might think that 85% yield is a good recovery rate, but when you see this is to graphene nano platelets (GNPs), you will be a little less enthusiastic. GNPs are materials greater than 10 layers thick. They can be

anything from 11 layers to 150 layers, and still be called GNPs. As such, this is technically not graphene but a less valuable product that sells for one tenth of the price of good quality graphene. It is very important to make both the technical and the economic distinction.

The pioneers of electrochemical exfoliation of graphite to make graphene are at the Adelaide University. Professor Dusan Losic has tested more than 50 different graphite sources for the recovery of graphene. To date the Sri Lankan graphite has delivered the best results, by a country mile. Comet's material would probably come in somewhat lower down on the list if it was tested by the Professor.

Having found that it can make GNPs on a bench top is a good start, but there is much more work to do, and the company has to prove that it can match the competitors for quality. There is another set of questions to ask regarding the graphite sample used; was it representative of the orebody, or a selective, obviously high grade portion? Was it pre-concentrated? What will be the cost of mining? It is the start of a long process of investigation, not yet a cause for celebration.

Was that a "captain's call" by Malcom Turnbull ?

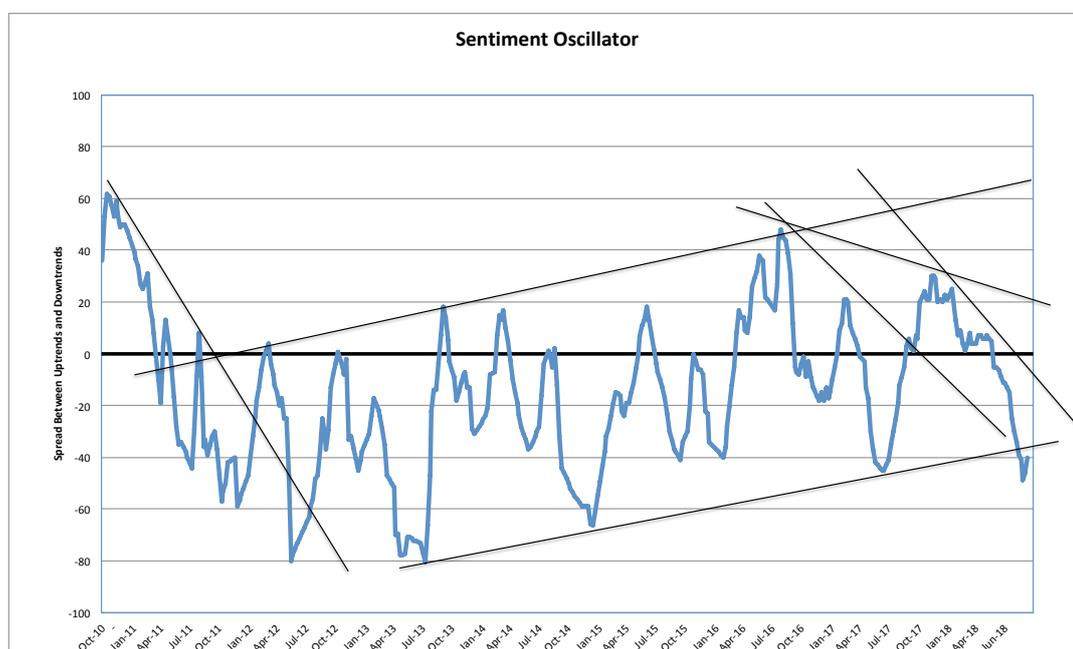
There is something very strange about the Federal Government's \$443m grant to the Great Barrier Reef Foundation. Mr Schubert said the foundation had not asked for the money and it did not have a plan as to how it would use it. There seems to be a lack of due process here. Very strange indeed.

During the week Stockhead ran a story on the significance of the PureGRAPH product line release made by First Graphene. Here is the story link: <https://stockhead.com.au/tech/first-graphene-throws-down-the-gauntlet-with-release-of-puregraph/>

Disclosure: Interested associated with the author own shares in First Graphene, and have received capital raising fees., and the author is a director of FGR.

We have added Nelson Resources (NES) and Real Energy to the chart coverage.

NB: There is unlikely to be a Weekly for 5-6 weeks due to travel arrangements and an inability to do the charts (by hand) whilst on the road.



Sentiment Indicator: We have seen a second week of improvement with 13% (14%) of the charts in uptrend and 53% (60%) in downtrend on Friday's close, as downtrends were being breached and good rallies were prevalent.

Detailed Chart Comments

NB. Only the bold comments have been updated. Comments in grey type are from previous weeks and will be less relevant. Please note that this list is a cross section of the market. It IS NOT a list of recommendations.

| Indices | Code | Trend Comment | |
|-----------------------|------|--|--|
| All Ordinaries | XAO | downward break from a rising wedge | |
| Metals and Mining | XMM | strong rally | |
| Energy | XEJ | breached steepest uptrend | |
| Stocks | Code | Trend Comment (updated comments in bold) | Main Interest |
| Adriatic Resources | ADT | down now | zinc |
| Aeon Metals | AML | sideways | copper + cobalt |
| Alacer Gold | AQG | down | gold – production |
| Alkane Resources | ALK | breached steeper downtrend | gold, zirconia |
| Acacia Resources | AJC | Sideways at the bottom | coal |
| Alchemy Resources | ALY | base forming | nickel, cobalt |
| Alicanto Minerals | AQI | strong rally | gold exploration |
| Allegiance Coal | AHQ | holding LT uptrend | coal |
| Alliance Resources | AGS | breached steepest downtrend | gold exploration |
| Altech Chemicals | ATC | breached support line | industrial minerals - synthetic sapphire |
| Anova Metals | AWV | new low on poor production report | gold |
| Apollo Consolidated | AOP | rallying | gold exploration |
| Archer Exploration | AXE | breach of support | magnesite, graphite |
| Argent Minerals | ARD | down | silver |
| Aurelia Metals | AMI | recovery and a new high | gold + base metals |
| AusTin | ANW | good rise | tin, cobalt |
| Australian Bauxite | ABX | surged through downtrend | bauxite |
| Australian Potash | APC | testing downtrend | potash |
| Australian Mines | AUZ | down | cobalt/nickel |
| Australian Vanadium | AVL | testing support levels | vanadium |
| Bounty Coal | B2Y | rallying | coal |
| BHP | BHP | breaching downtrend | diversified |
| Base Resources | BSE | sideways, but softer last week | mineral sands |
| Bathurst Resources | BRL | slump | coal |
| Battery Minerals | BAT | sideways at lows | graphite |
| BBX Minerals | BBX | down | gold |
| Beach Energy | BPT | near highs | oil and gas |
| Beadell Resources | BDR | rallying | gold |
| Bellevue Gold | BGL | testing downtrend | gold |
| Berkeley Energia | BKY | breached downtrend, but pullback | uranium |
| Blackstone Minerals | BSX | sideways at lows | gold, cobalt |
| Breaker Resources | BRB | breaching downtrend | gold |
| Broken Hill Prospect. | BPL | down | minerals sands, cobalt |
| Buru Energy | BRU | slump | oil |
| Cardinal Resources | CDV | breaching downtrend | gold exploration |
| Cassini Resources | CZI | gentle downtrend | nickel/Cu expl. |

This commentary is provided at no charge and in good faith from sources believed to be reliable and accurate. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting on information contained therein. Please see **Disclosure of Conflicts of Interest** at the end of this commentary.

| | | | | |
|-----------------------|-----|--------|--|------------------------------|
| Celsius Resources | CLA | orange | surge out of downtrend | copper/cobalt |
| Chalice Gold | CHN | orange | sideways | gold |
| Cobalt Blue | COB | red | free fall on study results | cobalt |
| Comet Resources | CRL | red | new low | graphite |
| Crusader Resources | CAS | red | spike out of downtrend then pullback | gold |
| Dacian Gold | DCN | red | down heavily | gold |
| Danakali | DNK | orange | breached uptrend | potash |
| Doray Minerals | DRM | orange | breached uptrend | gold |
| Eden Innovations | EDE | red | down | carbon nanotubes in concrete |
| Egan Street Resources | EGA | red | new low | gold |
| Emerald Resource | EMR | orange | breaching ST uptrend | gold |
| Evolution Mining | EVN | orange | breaching downtrend | gold |
| Excelsior Gold | EXG | orange | testing steepest downtrend | gold |
| FAR | FAR | orange | sideways break through uptrend | oil/gas |
| First Graphene | FGR | green | holding uptrend | graphene |
| Frontier Diamonds | FDX | red | new low | diamonds |
| Fortescue Metals | FMG | red | rallied out of steepest, but still in LT downtrend | iron ore |
| Galaxy Resources | GXY | red | longer term downtrend confirmed | lithium |
| Galilee Energy | GLL | green | new high, but might be topping | oil and gas, CBM |
| Gascoyne Resources | GCY | red | down | gold |
| Global Geoscience | GSC | orange | testing downtrend | lithium |
| Gold Road | GOR | red | breached uptrend | gold exploration |
| Golden Rim | GMR | red | new low | gold exploration |
| Graphex Mining | GPX | red | new low | graphite |
| Heron Resources | HRR | red | downtrend persisting | zinc |
| Highfield Resources | HFR | red | down again | potash |
| Highlands Pacific | HIG | orange | breached uptrend | nickel, cobalt |
| Hillgrove Resources | HGO | orange | sideways | copper |
| Hipo Resources | HIP | orange | testing downtrend | battery metals |
| Iluka Resources | ILU | red | rallying | mineral sands |
| Image Resources | IMA | green | resumed LT uptrend | mineral sands |
| Independence Group | IGO | orange | testing downtrend | gold, nickel |
| Jervois Mining | JVR | red | strong bounce | nickel/cobalt |
| Jindalee Resources | JRL | green | rising wedge | lithium |
| Karoo Gas | KAR | red | new low | gas |
| Kasbah Resources | KAS | red | still in downtrend | tin |
| Kibaran Resources | KNL | orange | breaking higher | graphite |
| Kin Mining | KIN | red | trying to form a base | gold |
| Legend Mining | LEG | green | but heavy correction | exploration |
| Lepidico | LPD | red | continuing down | lithium |
| Lithium Australia | LIT | orange | testing downtrend | lithium |
| Lucapa Diamond | LOM | orange | breached downtrend | diamonds |
| Lynas Corp. | LYC | red | down | rare earths |
| Macphersons Res. | MRP | orange | rallying | gold/silver |

This commentary is provided at no charge and in good faith from sources believed to be reliable and accurate. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting on information contained therein. Please see **Disclosure of Conflicts of Interest** at the end of this commentary.

| | | | | |
|-----------------------|-----|--|----------------------------|-------------------------------------|
| Mako Gold | MKG | | good rally | gold |
| Marmota | MEU | | sideways | gold exploration |
| MetalsX | MLX | | down again | tin, nickel |
| Metro Mining | MMI | | breaching support | bauxite |
| Mincor Resources | MCR | | breached uptrend | gold |
| Myanmar Minerals | MYL | | starting down again | zinc |
| MZI Resources | MZI | | bounced off low | mineral sands |
| Nelson Resources | NES | | down | gold exploration |
| Neometals | NMT | | down | lithium |
| Northern Cobalt | N27 | | down again | cobalt |
| Northern Minerals | NTU | | sideways | REE |
| Northern Star Res. | NST | | still strong | gold |
| NTM Gold | NTM | | continuing downtrend | gold |
| Oceana Gold | OGC | | rising again | gold |
| Oklo Resources | OKU | | down | gold expl. |
| OreCorp | ORR | | breached downtrend | gold development |
| Orinoco Gold | OGX | | down | gold development |
| Orocobre | ORE | | secondary downtrend | lithium |
| Oz Minerals | OZL | | testing downtrend | copper |
| Pacific American Coal | PAK | | breached uptrend | coal |
| Pantoro | PNR | | down | gold |
| Panoramic Res | PAN | | testing downtrend | gold , nickel |
| Peel Mining | PEX | | downtrend confirmed | copper |
| Peninsula Energy | PEN | | risen to resistance line | uranium |
| Perseus Mining | PRU | | breaching uptrend | gold |
| Pilbara Minerals | PLS | | down | lithium/tantalum |
| PNX Metals | PNX | | lower | gold, silver, zinc |
| Polarex | PXX | | still down | polymetallic |
| Prodigy Gold | PRX | | down | gold exploration |
| Real Energy | RLE | | rallying | gas |
| Red5 | RED | | down | gold |
| Red River Resources | RVR | | down | zinc |
| Regis Resources | RRL | | down | gold |
| Resolute Mining | RSG | | testing downtrend | gold |
| RIO | RIO | | rallied to resistance line | diversified |
| Salt Lake Potash | SO4 | | re-entering downtrend | potash |
| Saracen Minerals | SAR | | testing downtrend | gold |
| St Barbara | SBM | | breached uptrend | gold |
| Sandfire Resources | SFR | | strong rally | copper |
| Santana Minerals | SMI | | new low | silver |
| Santos | STO | | back to highs | oil/gas |
| Sheffield Resources | SFX | | rising again | mineral sands |
| Sipa Resources | SRI | | sideways | general exploration - Ni,Cu, Co, Au |
| Stanmore Coal | SMR | | new high | coal |

*This commentary is provided at no charge and in good faith from sources believed to be reliable and accurate. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting on information contained therein. Please see **Disclosure of Conflicts of Interest** at the end of this commentary.*

| | | | | |
|------------------------|-----|-----|--------------------------------------|------------------|
| Sundance Energy | SEA | | still in downtrend | oil/gas |
| Syrah Resources | SYR | | new low | graphite |
| Talga Resources | TLG | | down | graphite |
| Tanami Gold | TAM | | slump | gold |
| Technology Metals | TMT | | short term down | vanadium |
| Tiger Realm | TIG | | down | coal |
| Triton Minerals | TON | | down | graphite |
| Troy Resources | TRY | | down | gold |
| Tyranna Resources | TYX | | back in downtrend | gold exploration |
| Vango Mining | VAN | | correcting | gold |
| Vector Resources | VEC | | spiked higher, breaching downtrend | gold |
| Venturex | VXR | | gently lower | zinc |
| Vimy Resources | VMY | | testing downtrend | uranium |
| Volt Resources | VRC | | down | graphite |
| West African Resources | WAF | | breached downtrend, but then a slump | gold |
| Westwits | WWI | | down | gold |
| Western Areas | WSA | | strong rally | nickel |
| Whitehaven Coal | WHC | | softer | coal |
| Totals | 13% | 19 | Uptrend | |
| | 53% | 75 | Downtrend | |
| | | 141 | Total | |

Guides to Chart Interpretations

- Charts usually go pass from one trend (up or down) into the other via a period of indecision and uncertainty during which the trend can either recover or change. This period is signified by the orange colour. The orange represent both the greatest risk and greatest reward possibilities.
- Once a chart is in confirmed up or downtrends it is not uncommon for 10-20% of that trend to have already transpired.
- There are trends within trends. The focus of this chart review is the immediate trend that affects the sentiment i.e. it can be a downtrend within a long-term uptrend.
- Not every chart warrants a new comment every week. The new comments are in bold type. Grey type comments may be dated.
- Individual charts provide a single view. It is valuable to look at charts of other companies in similar commodities, and the overall sentiment is also very valuable. Not many stocks can swim against the tide.
- We periodically add or delete charts, some times for obscure reasons. If a chart consistent gives poor signals or is very erratic, we may delete it. Sometimes we add a chart because we want to see what all the fuss is about. We do have a preference for charting stocks that we cover in our research as well.
- Errors and omissions may occur from time to time, especially in fast moving markets.

Amber Lights in Tables: Just a reminder if when the amber light is used in the table – it is when the charts are ambiguous or when there is a change of trend taking place. If a chart is breaching a downtrend it can either be a positive sign or a trap. Only once it has done more work can it be confirmed as a new uptrend. Maybe it is a new uptrend (or conversely a new downtrend); the risk takers can decide to jump on board early (or sell). They will maximise their profits (or minimise their losses if indeed it is the start of the new uptrend (downtrend). More risk-averse investors should wait a little longer, being prepared to give up some of the gains in return for greater certainty.

| Weightings of Sectors Represented in the Company Charts | | | |
|---|------------------|-----------|--|
| Sector | No. of Companies | Weighting | |
| Gold | 40 | 28.4% | |
| Gold Exploration | 13 | 9.2% | |
| Graphite | 9 | 6.4% | |
| Coal | 8 | 5.7% | |
| Oil/Gas | 8 | 5.7% | |

*This commentary is provided at no charge and in good faith from sources believed to be reliable and accurate. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting on information contained therein. Please see **Disclosure of Conflicts of Interest** at the end of this commentary.*

| | | | |
|------------------|-----|------|--|
| Lithium | 8 | 5.7% | |
| Copper | 6 | 4.3% | |
| Mineral Sands | 6 | 4.3% | |
| Nickel | 6 | 4.3% | |
| Cobalt | 5 | 3.5% | |
| Zinc | 5 | 3.5% | |
| Potash/Phosphate | 4 | 2.8% | |
| Silver | 3 | 2.1% | |
| Tin | 3 | 2.1% | |
| Uranium | 3 | 2.1% | |
| Rare Earths | 2 | 1.4% | |
| Bauxite | 2 | 1.4% | |
| Diamonds | 2 | 1.4% | |
| Iron Ore | 1 | 0.7% | |
| Other | 7 | | |
| Total | 141 | | |

FEC Disclosure of Interests: It is a requirement of ASIC that holders of AFS licences prominently disclose any conflicts of interest. At all times readers should be aware that Far East Capital Ltd is an active investor. It shares its research and opinions free of charge to other investors and it aims to do so on an ethical basis. Accordingly, when it is writing about stocks in which it holds interests, these will be disclosed. In this week's publication FEC discloses that interests associated with the the author hold shares in First Graphene. and Lucapa Diamond Company. The author is chairman of First Graphene and one of the largest shareholders, through a number of entities. Over the last three years FEC has received fees from Blackstone Minerals, Broken Hill Prospecting, Cobalt Blue, First Graphene, Golden Rim, Lucapa Diamond Company, Orinoco Gold and West Wits for corporate and capital raising services. Its primary business is investing and managing its own money, but it does occasionally raise money for resource companies.

Disclaimer: This Research Report has been prepared exclusively for Far East Capital clients and is not to be relied upon by anyone else. In compiling this Commentary, we are of necessity unable to take account of the particular investment objectives, financial situation and needs of any of our individual clients. Accordingly, each client should evaluate the recommendations obtained in this Commentary in the light of their own particular investment objectives, financial situation and needs. If you wish to obtain further advice regarding any recommendation made in this Commentary to take account of your particular investment objectives, financial situation and needs, you should contact us. We believe that the advice and information herein are accurate and reliable, but no warranty of accuracy, reliability or completeness is given and (except insofar as liability under any statute cannot be excluded) no responsibility arising in any other way for errors or omissions or in negligence is accepted by Far East Capital Limited or any employee or agent. For private circulation only. This document is not intended to be an offer, or a solicitation of an offer, to buy or sell any relevant securities (i.e. securities mentioned herein or of the same issuer and options, warrant, or rights with respect to or interests in any such securities). We do not guarantee the accuracy or completeness of the information herein, or upon which opinions herein have been based. At any time we or any of our connected or affiliated companies (or our or their employees) may have a position, subject to change, and we or any such companies may make a market or act as principal in transactions, in any relevant securities or provide advisory or other services to an issuer of relevant securities or any company therewith. Unless otherwise stated all views expressed herein (including estimates or forecasts) are solely those of our research department and subject to change without notice. This document may not be reproduced or copies circulated without authority. Copyright © Far East Capital Ltd 2018.